

Meeting Date: Wednesday 6 June 2012
Location: Committee Rooms 2 and 3, Level 5, Civic Centre,
1 Devlin Street, Ryde
Time: 7.30pm

*Civic Precinct Committee Meetings will be recorded on audio tape for minute-taking purposes
as authorised by the Local Government Act 1993.*

NOTICE OF BUSINESS

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1 CONFIRMATION OF MINUTES - Civic Precinct Committee Meeting held on 1 May 2012

Report prepared by: Meeting Support Coordinator

Report dated: 2/05/2012

File No.: CLM/12/1/1/2 - BP12/511

REPORT SUMMARY

In accordance with Council's Code of Meeting Practice, a motion or discussion with respect to such minutes shall not be in order except with regard to their accuracy as a true record of the proceedings.

RECOMMENDATION:

That the Minutes of the Civic Precinct Committee Meeting 2/12, held on Tuesday, 1 May 2012, be confirmed.

ATTACHMENTS

- 1 Minutes - Civic Precinct Committee - 1 May 2012

ITEM 1 (continued)

ATTACHMENT 1

Civic Precinct Committee
MINUTES OF MEETING NO. 2/12

Meeting Date: Tuesday 1 May 2012
Location: Committee Rooms 2 and 3, Level 5, Civic Centre,
1 Devlin Street, Ryde
Time: 7.30pm

Councillors Present: The Mayor, Councillor Etmekdjian and Councillors Butterworth, Campbell, Li, Maggio, O'Donnell, Petch, Perram, Pickering, Salvestro-Martin, Tagg and Yedelian OAM.

Apologies: Nil.

Staff Present: General Manager, Group Manager – Corporate Services, Group Manager – Environment & Planning, Development Director, Project Manager Development and Manager – Governance.

DISCLOSURES OF INTEREST

There were no disclosures of interest.

1 AUDIO RECORDING OF CIVIC PRECINCE COMMITTEE MEETING - 1 May 2012

RECOMMENDATION: (Moved by Councillors Campbell and O'Donnell)

- (a) That the Civic Precinct Committee meeting of 1 May 2012 and all future Council and Civic Precinct Committee meetings be recorded for the purpose of:
- assisting in the preparation of minutes;
 - ensuring decisions are accurately recorded;
 - verifying the accuracy of minutes prior to their confirmation; and
 - preserving a recording of all meetings to be available to all Councillors on request.
- (b) That Council's Code of Meeting Practice be amended to provide for the recording of Council and Civic Precinct Committee Meetings in accordance with part (a) above noting that this amendment to the Code of Meeting Practice is not substantial.
- (c) That a report be provided to Council regarding opportunities to webcast Council and Civic Precinct Committee Meetings.

ITEM 1 (continued)

ATTACHMENT 1

Record of Voting:

For the Motion: The Mayor, Councillor Etmekdjian and Councillors Butterworth, Campbell, Li, O'Donnell, Perram, Petch, Pickering, Salvestro-Martin, Tagg and Yedelian OAM

Against the Motion: Councillor Maggio

Note: This matter will be dealt with at the Council Meeting to be held **8 MAY 2012** in accordance with the Civic Precinct Terms of Reference in Council's Code of Meeting Practice.

2 CONFIRMATION OF MINUTES - Civic Precinct Committee Meeting held on 21 February 2012

RECOMMENDATION: (Moved by Councillors Pickering and O'Donnell)

That the Minutes of the Civic Precinct Committee Meeting 1/12, held on Tuesday 21 February 2012, be confirmed.

Record of Voting:

For the Motion: The Mayor, Councillor Etmekdjian and Councillors Butterworth, Campbell, Li, O'Donnell, Perram, Petch, Pickering, Salvestro-Martin and Yedelian OAM

Against the Motion: Councillors Maggio and Tagg

Note: This matter will be dealt with at the Council Meeting to be held **8 MAY 2012** in accordance with the Civic Precinct Terms of Reference in Council's Code of Meeting Practice.

3 THE CITY OF RYDE PRECINCT REDEVELOPMENT STAGE 3 - STATUS REPORT

Note: Mr Gary Best, Partner, Clayton Utz made a presentation to the meeting in relation to this report. Mr Angus Hislop, International Property Group made a presentation to the meeting in relation to this report and a copy is ON FILE.

MOTION: (Moved by Councillors Butterworth and Petch)

- (a) That the Ryde Civic Precinct Redevelopment Stage 3 Status report be received and noted.
- (b) That no further action be taken in relation to this matter and all future action cease.

ITEM 1 (continued)

ATTACHMENT 1

AMENDMENT: (Moved by Councillors Campbell and O'Donnell)

- (a) That the Ryde Civic Precinct Redevelopment Stage 3 Status report be received and noted.
- (b) That a detailed report which recommends the most appropriate course of action for the redevelopment of the Argyle Centre site be prepared for Council by November 2012, which examines how Council can utilise a shared equity scheme, the National Rental Affordability Scheme and a partnership with a social housing company. The report to specifically include :-
 - (i) A detailed financial and cash flow model (including an option for Council to borrow funds) for developing each of options 2 and 3 for the redevelopment of the Argyle Centre as outlined in this report. The model be designed to deliver 10 to 15 affordable / key worker housing units and provides Council with the best sustainable revenue stream possible considering Council's appetite for risk.
 - (ii) The most appropriate governance, procurement and management model required to manage redevelopment risk, oversee the redevelopment of the Argyle Centre site and manage any housing stock which Council may retain in its ownership for each of options 2 and 3 as outlined in this report.
 - (iii) An open space concept plan relating to the future development of the Ryde City Bowling Club and the Argyle Centre site.

On being put to the Meeting, the voting on the Amendment was six (6) all. The Mayor as Chairperson used his casting vote For the Amendment. The Amendment was **CARRIED**. The Amendment then became the Motion.

Record of Voting:

For the Amendment: The Mayor, Councillor Etmekdjian and Councillors Campbell, Maggio, O'Donnell, Pickering and Yedelian OAM

Against the Amendment: Councillors Butterworth, Li, Petch, Perram, Salvestro-Martin and Tagg

The Motion was then put.

RECOMMENDATION: (Moved by Councillors Campbell and O'Donnell)

- (a) That the Ryde Civic Precinct Redevelopment Stage 3 Status report be received and noted.

ITEM 1 (continued)

ATTACHMENT 1

- (b) That a detailed report which recommends the most appropriate course of action for the redevelopment of the Argyle Centre site be prepared for Council by November 2012, which examines how Council can utilise a shared equity scheme, the National Rental Affordability Scheme and a partnership with a social housing company. The report to specifically include :-
- (i) A detailed financial and cash flow model (including an option for Council to borrow funds) for developing each of options 2 and 3 for the redevelopment of the Argyle Centre as outlined in this report. The model be designed to deliver 10 to 15 affordable / key worker housing units and provides Council with the best sustainable revenue stream possible considering Council's appetite for risk.
 - (ii) The most appropriate governance, procurement and management model required to manage redevelopment risk, oversee the redevelopment of the Argyle Centre site and manage any housing stock which Council may retain in its ownership for each of options 2 and 3 as outlined in this report.
 - (iii) An open space concept plan relating to the future development of the Ryde City Bowling Club and the Argyle Centre site.

On being put to the Meeting, the voting on the Motion was six (6) all. The Mayor as Chairperson used his casting vote For the Motion. The Motion was **CARRIED**.

Record of Voting:

For the Motion: The Mayor, Councillor Etmekdjian and Councillors Campbell, Maggio, O'Donnell, Pickering and Yedelian OAM

Against the Motion: Councillors Butterworth, Li, Petch, Perram, Salvestro-Martin and Tagg

Note: This matter will be dealt with at the Council Meeting to be held **8 MAY 2012** in accordance with the Civic Precinct Terms of Reference in Council's Code of Meeting Practice.

The meeting closed at 10.44pm.

CONFIRMED THIS 6TH DAY OF JUNE 2012.

Chairperson

2 CITY OF RYDE PRECINCT REDEVELOPMENT TENDER

Report prepared by: Development Director - Civic Precinct Project

Report dated: 28/05/2012

File No.: GMG/10/1/2/7 - BP12/642

REPORT SUMMARY

This report summaries progress on the procurement actions and describes the tendering process and identifies an appropriate development partner required to complete Stage 3 of the Civic Precinct Redevelopment in accordance with the Council Resolution for item 2 'Civic Precinct Program, Procurement, Budget and Financial Position Update' of the Extraordinary Council Meeting No. 17/11 of 18 October 2011.

It presents refinement to previous costing assumptions and the financial impact of the current development proposal on Council's long term financial position.

It describes key features of the preferred tender and outlines an indicative timetable should Council seek to proceed with a development partner to redevelop the Civic Precinct.

It projects that by proceeding as recommended; after ten years time, Council improves its balance sheet by \$59.7 million and increases its value to \$79 million. To achieve this Council will outlay a net cash contribution of \$6.9 million.

An Executive Summary – Ten year view of each option (**ATTACHMENT A – CIRCULATED UNDER SEPARATE COVER**) which compares the strengths and weaknesses between the three options of 'Do Nothing', the 'Refurbishment Option' and the 'Development Option' identifies the reasons to proceed with negotiations with Lend Lease Development Pty Ltd.

RECOMMENDATION:

That the Civic Precinct Committee recommends to Council:

1. That Council note the report from the General Manager, and the report from the tender evaluation panel (**ATTACHMENT E – CIRCULATED UNDER SEPARATE COVER – CONFIDENTIAL**), in relation to responses received from Lend Lease Development Pty Limited and Billbergia Pty Limited/Frasers Property Australia Pty Limited to the Request for Tenders.

That Council adopts the recommendation from the tender evaluation panel as reviewed and approved by the General Manager and not accept either tender on the basis that whilst the tenders received demonstrated substantial compliance with Council's project objectives of community benefit, revitalisation, design, sustainability, financial viability and traffic, the tenders displayed deficiencies in the following areas:

ITEM 2 (continued)

- (a) Council's preferred financial objectives were not fully achieved;
- (b) the proposed risk allocations were not fully in accordance with Council's preferred risk profile;
- (c) certain elements of Council's performance brief were not fully complied with; and
- (d) the form of the tenders submitted were not sufficiently legally certain and complete as to enable Council to accept them.

And that Council resolves that having regard to clause 178(1) of the Local Government (General) Regulation 2005 and having regard to the tenders received in response to the Request for Tenders, the recommendations of the General Manager and the recommendations from the tender evaluation panel, no tender be accepted.

2. That Council notes the recommendations of the General Manager and the tender evaluation panel that Council (subject to confirmation of Lend Lease board approval) enter into negotiations with Lend Lease Development Pty Limited with a view to concluding a contract, on the basis of the reasons set out in the confidential report from the tender evaluation panel:

And that Council resolves that having regard to clause 178(3)(e) of the Local Government (General) Regulation 2005 and having regard to the recommendations of the General Manager and the tender evaluation panel, to further the procurement process for the selection of an appropriate development partner (subject to confirmation of Lend Lease board approval) by entering into negotiations with Lend Lease Development Pty Limited with a view to entering into a Project Delivery Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) preferably by August 2012 in relation to the Ryde Civic Redevelopment for the reasons that:

- (a) the tender submitted by Lend Lease Development Pty Limited achieved a superior ranking by the tender evaluation panel and subsequent meetings with both proponents to appreciate areas where negotiations might result in improvements to Council's position confirmed this ranking; and
- (b) other options available to Council such as inviting fresh tenders or fresh applications from other persons or Council implementing one of several options ie: 'Do Nothing' or 'Refurbishment' or carrying out the redevelopment itself would not achieve a more satisfactory result for the following reasons:
 - (i) the procurement process involving an expressions of interest and request for tenders has fully tested the market and any new tender process would be unlikely to produce a better result;

ITEM 2 (continued)

- (ii) any new tender process would involve Council in substantial additional costs without any certainty of a better result;
 - (iii) any new tender process would involve a reputation risk to Council with tenderers being exposed to the substantial costs of tendering and having potentially lacking confidence in Council's process;
 - (iv) the 'Do Nothing' option would lead to ultimate building failure over the next five to seven years;
 - (v) the 'Refurbishment Option' will incur considerable additional costs to Council over the next ten years which would be significantly greater than the final net cost of proceeding with a Project Delivery Agreement with Lend Lease Development Pty Limited and in doing so would leave Council significantly disadvantaged; and
 - (vi) as previously advised to Council, Council does not have the experience, capability, risk appetite or the cash available to undertake the project itself.
3. That Council note the recommendations of the General Manager that Council enter into a Project Development Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) with Lend Lease Development Pty Limited on terms the General Manager approves and is reasonably satisfied are substantially consistent with or more favourable to Council than, the Commercial and Risk Principles set out in Confidential Attachment G.

And that Council resolves that Council enter into a Project Delivery Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) on terms approved by the General Manager and which he is reasonably satisfied are substantially consistent with or more favourable to Council than, the Commercial and Risk Principles set out in **ATTACHMENT G - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL**.

4. That Council notes the recommendation that Council delegates to the General Manager the authority to negotiate with Lend Lease Development Pty Limited with a view to finalising and executing the Project Delivery Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) on terms approved by the General Manager and which he is reasonably satisfied are substantially consistent with or more favourable to Council than, the Commercial and Risk Principles set out in Confidential Attachment G.

And that Council resolves that pursuant to section 377(1) of the Local Government Act 1993, Council delegates to the General Manager the authority to finalise and execute the Project Delivery Agreement (and all documents referred to as Project Documents in the Project Delivery Agreement) with Lend Lease Development Pty Limited once he has approved the final form of that

ITEM 2 (continued)

documentation and is reasonably satisfied the documentation is substantially consistent with or more favourable to Council than, the Commercial and Risk Principles set out in Confidential Attachment G.

That Council notes that a funding option offered by Lend Lease Development Pty Limited provides the best financial return to Council through the delivery of a low cost of capital solution by utilising Council's ability to borrow funds at a much lower levels than Lend Lease's cost of capital.

And that Council resolves that it prefers the Lend Lease funding option and authorises the General Manager to undertake a tender process to provide the most advantageous outcome for Council for a \$35 million loan over a six year period, where the principal and interest is guaranteed by Lend Lease to Council and the funding is provided at no net cost to Council, the details of which will form part of the Project Delivery Agreement.

5. That Council notes that Stage 3 of the Civic Precinct project will be achieved upon the completion of negotiations with a preferred development partner.

And that Council Resolves:

- (a) to progress to Stage 4 in accordance with these recommendations and the indicative program provided in this report and maintain the Civic Precinct development team of contractors/consultants to do so and extend the delegation of the General Manager pursuant to section 377(1) of the Local Government Act 1993, to negotiate extensions of procurement arrangements and execute all relevant documentation with external providers for Stage 4, where Council's commitment to those providers will exceed \$150,000 over all 4 stages of the project; being:
 - (i) Forbrook Group Pty Ltd;
 - (ii) Kathy Jones and Associates; and
 - (iii) Michael Collins and Associates, and
- (b) that pursuant to section 55(3) of the Local Government Act 1993, that a satisfactory result would not be achieved by inviting tenders for the services to be provided by the external providers (as listed above) because of extenuating circumstances, by reason that a costly tender process to procure new external providers would not achieve a satisfactory result having regard to:
 - (i) the whole of life costs for the project when taking into account the amount of time, risks and resources that may be required to brief new consultants;

ITEM 2 (continued)

- (ii) Council's desire for continuity in the project and the intellectual property held by those external providers in relation to the project; and
- (iii) the timetable adopted by Council to progress to Stage 4,

and accordingly, that Council will not be inviting tenders for the services to be provided by the external providers (as listed above).

6. That Council notes that until such time as Council resolves to proceed with the Civic Precinct redevelopment, or commits to a 'Do Nothing' approach, that Council is unable to integrate the financial models relating to this report into its Four Year Delivery Plan and its Long Term Financial Plan.

And that Council Resolves: to adjust its Four Year Delivery Plan and its Long Term Financial Plan to reflect the impacts of the Lend Lease funding option as outlined in the confidential attachments to this report and finalised by negotiation with the General Manager.

ATTACHMENTS – CIRCULATED UNDER SEPARATE COVER

- 1 Attachment A - Executive Summary
- 2 Attachment B - WT Memorandum
- 3 Attachment C - Lend Lease Images
- 4 Attachment D - Probity Assurance Report
- 5 Attachment E - Evaluation Report – (CONFIDENTIAL)
- 6 Attachment F - Legal Risks and Financial Overview – (CONFIDENTIAL)
- 7 Attachment G - Commercial and Risk Principles – (CONFIDENTIAL)

Report Prepared By:

Mitch Corn
Development Director - Civic Precinct Project

Report Approved By:

John Neish
General Manager

ITEM 2 (continued)**Discussion****History**

At the Extraordinary Council Meeting held on 18 October, 2011, Council resolved *inter alia*:

1. *That Council determine to progress to the end of stage 3 and delegate the General Manager to undertake an EOI and tendering process in accordance with Option 1 as outlined in this report, and a further report recommending a preferred development partner be presented to Council by August 2012.*
2. *That the procurement process for tendering and selecting an appropriate development partner for a private public partnership with the City of Ryde be designed so that the selection criteria:-*
 - *Provides appropriate options for the provision of community, civic and administration facilities (as previously discussed with Council) located in Top Ryde.*
 - *Evaluates design excellence and sustainable practices (minimum 4 green star rating for the residential component and 5 green star rating for the commercial and civic elements) as a significant element of the evaluation process.*
 - *Evaluates overall site massing and urban design.*
 - *Evaluates quality of the design and the reputation of the design team nominated.*
 - *Evaluates demonstrated experience in building/developing multi million dollar mixed use developments.*
 - *Evaluates demonstrated financial integrity.*
 - *Evaluates commercial offer to Council.*
 - *Evaluates the standard and quality of the facilities, finishes and fit out offered in exchange for land sale.*
3. *That Council delegates to the General Manager the authority to negotiate extensions of procurement arrangements and execute all relevant documentation with four Civic Precinct team external providers (as listed in the information separately provided), where the commitment will exceed \$150,000 over Stages 1, 2 and 3 of the project (exercising Council's ability to resolve not to go to open tender when extenuating circumstances exist as per section 55(3) of the Local Government Act 1993).*

Upon receipt of legal advice Council resolved on 22 November 2011 to amend the *private public partnership*, noted in item 2 (above), to remove the words *private* and *public*.

ITEM 2 (continued)

The recommendations of the General Manager's Report to Council dated 11 October, which were considered and resolved upon in the Council meeting of 18 October 2011 cited the following attachments, all previously made available to Councillors:

Ryde Civic Precinct Committee Agenda - 9 December 2008
Ryde Civic Precinct Committee Minutes - 9 December 2008
Ryde Civic Precinct Committee Agenda - 16 March 2010
Ryde Civic Precinct Committee Minutes - 16 March 2010
Report to Council and Minutes extract - 14 December 2010
Ryde Civic Precinct Committee Agenda - 11 May 2011
Ryde Civic Precinct Committee Minutes - 11 May 2011
MCA Report (peer review analysis summary)
KJA Consultation report
KJA Attachment document
Council report - 11 October 2011
BCA Review - Ryde Civic Centre - 14 June 2011
Regular Project Plan (to be available on A3)
Delayed Project Plan (to be available on A3)
CONFIDENTIAL ATTACHMENTS
Civic Precinct Redevelopment Procurement of Consultants' Services -
Final Probity Advice

Since 18 October 2011, matters relating to the Civic Precinct Redevelopment have been brought to the attention of the Councillors as follows:

- Mayoral Minute 16/11 – 22 November 2011
- Amended Planning Proposal Results of Community Consultation - Ryde Civic Precinct – 13 December, 2011 with Attachments;
- Ryde Civic Precinct - Amended Planning Proposal (Inc. Summary of submissions and Original Planning Proposal)
- Shadow diagrams - Civic Centre Building and the Concept Plan for the Civic
- Planning Proposal Results of Community Consultation - Ryde
- Civic Precinct
- Ryde Civic Precinct Committee Agenda – 21 February 2012 with Attachments;
- Civic Precinct Planning and Tender Program Stages 3-4 - 14 02 2012
- Evaluation Panel Members' CVs
- OCM Probity Assurance Report COR-EOI 4-11
- SUM Risk & Audit Report COR-EOI 4-11
- Council Meeting Minutes – 28 February 2012
- Council Meeting Agenda – 27 March 2012 with Attachments,
- Probity Advice

ITEM 2 (continued)

- Probitly Management Plan
- Council Meeting Minutes – 27 March 2012

On 11 April 2012 (and in accordance with the probity and legal advice) Councillors were provided copies of the request for tender documentation.

Councillors also received individual copies of the original Planning Proposal Concept Plan (which was previously summarised for Council and placed on public exhibition).

Ryde Civic Precinct Committee Agenda – 1 May 2012 with Attachments;

- Procurement - Expression of Interest (EOI) and Tendering Process program -Stages 3-4
- External Evaluation Panel Members CV's
- Tender Compliance Summary
- Proposed Functional Areas Schedule

Council Meeting Minutes – 8 May 2012

Discussion**1. Procurement – Expression of Interest (COR-EOI 04/11)**

Refer to **ATTACHMENT E - EVALUATION REPORT – (UNDER SEPARATE COVER – CONFIDENTIAL)**

The Expression of Interest, COR-EOI 4/11 was advertised to the open market via newspapers and Council's website on 22 November, 2011. Documentation was made available on Tenderlink in two parts.

Part One provided the background to the project, its scope and commercial framework. Part Two was accessible to proponents only upon satisfactory completion of a confidentiality deed and a statement of GST registration, followed by payment of a document access fee of \$500.

Ninety two organisations downloaded a copy of Part One.

Nine organisations lodged submissions at the close of the Expression of Interest (EOI) at 10am on 23 December 2011. They were:

- All Park Products
- Billbergia Pty Ltd
- Crown Group Pty Ltd
- Frasers Property Australia Pty Ltd

ITEM 2 (continued)

- Ryde Civic Consortium, consisting of
 - J. Hutchinson Pty Ltd
 - Galileo Funds Management
 - Scott Carver & Associates
- Leighton Properties Pty Limited
- Lend Lease Development
- Mirvac Projects Pty Limited
- Payce Consolidated Limited

A total of nine EOI submissions were received and assessed by the Request for Tender (RFT) Evaluation Panel. Following assessment of all submissions, and in conformance with the recommendations of the Evaluation Panel, the General Manager approved a short list of four proponents for the RFT stage.

Consequently, on 10 February 2012, the following organisations were invited, and accepted, the invitation to participate in the RFT process:

- Billbergia Pty Ltd
- Leighton Properties Pty Limited
- Lend Lease Development Pty Limited.
- Mirvac Projects Pty Limited

Billbergia subsequently requested permission (which was granted following advice from the Project's legal advisor) to modify its core team for the tender process to include Frasers Property Australia Pty Ltd in a joint venture arrangement.

2. Procurement – Request for Tender (COR-RFT 02/12)

Refer to **ATTACHMENT E - EVALUATION REPORT – (UNDER SEPARATE COVER – CONFIDENTIAL)**

The RFT documentation was formally issued to the four short listed organisations on 10 February 2012 requesting them to complete eleven Returnable Schedules. Five of these schedules were mandatory criteria, in that omission from a submitted tender would render the tender non-compliant. Six were evaluation criteria, being the key items upon which submitted tenders would be judged.

During the initial part of the tender period the short listed organisations were invited to attend individual workshop meetings, to which they all assented, and these were held in the presence of the Probity Advisor and Council's Internal Auditor. The meetings served to confirm Council's requirements of the project, provide information on planning and land ownership issues and raise awareness of the overall program, being:

ITEM 2 (continued)

RFT Process	Indicative Dates
Request for Tenders issued	10 February 2012
Closing date for submission of Tenders	10 April 2012
Notification of Successful Tenderer	15 June 2012
Legal Documentation executed with Successful Tenderer	31 July 2012
Project	Indicative Dates
Development Application lodged by Successful Tenderer	April 2013
Development Consent granted	October 2013
Commence Construction of New Council Office Building	February 2014
Practical Completion of New Council Office Building	February 2015
Commence Construction of New Civic Centre and ITS II	April 2015
Practical Completion of New Civic Centre and ITS II	31 July 2017*

* *being 5 years after date of execution of legal documentation with the Successful Tenderer*

On 22 March 2012 the Evaluation Panel met to discuss the evaluation criteria and to award appropriate weightings to the criteria to reflect the importance of the issues to be assessed in any submitted tenders. It was determined to combine two Returnable Schedules. These were Returnable Schedule 7, which required completion of a risk allocation table, outline of commercial terms and mark-up of the draft project delivery agreement; and Returnable Schedule 5, *Financial Return and Risk to Council*. These were brought together into one evaluation criteria to represent correctly the importance of the financial offer to Council.

Consequently, weightings of the five evaluation criteria were:

5%	Understanding the project
10%	Capability
30%	Development Concept and Sustainability
45%	Financial Return and Risk to Council
10%	Delivery and Planning

ITEM 2 (continued)

During the tender period (10 February 2012 to 10 April 2012 inclusive) nineteen addenda (Notices of Tender) were issued to the four proponents in response to queries they raised, to further clarify the RFT documentation and to keep the proponents aware of the status of planning controls and land acquisition matters relevant to the Civic Precinct.

On 10 April 2012 letters from Mirvac Projects Pty Limited and Leighton Properties Pty Limited were received in which they each stated that they had declined to tender. At tender close (2pm on 10 April 2012) tenders were received from:

- Lend Lease Development Pty Limited (LL), and
- Billbergia Pty Ltd in a joint venture with Frasers Property Australia Pty Ltd (as previously notified and approved) (BFJV)

These were processed in accordance with City of Ryde procedures, overseen by Council's Probity Advisor.

In accordance with the Probity Management Plan Stage 3A and 3B of the Ryde Civic Precinct Redevelopment procedures were developed to mitigate probity risks in accordance with the principles of:

- Accountability of the participants and transparency of process;
- Fairness, impartiality and honesty in carrying out the process;
- Management of actual, potential and perceived conflicts of interest
- Management of confidentiality and security of documentation and information;
- Attaining the best possible value for money under prevailing circumstances.

A number of Technical Advisors were appointed to interrogate specialist areas of the tenders but were not permitted to access the tender material until they had complied with probity documents equal to those signed by the Evaluation Panel Members.

The methodology adopted to maintain probity included limiting access to the tender documents in both hard copy and electronic formats through the use of manned and encrypted controls.

The initial part of the evaluation process required the Technical Advisors to submit their reports to Evaluation Panel. The Technical Advisors were free to use whatever analysis method they preferred, but they were restricted to a simple ranking of the tenders in their conclusions to the Evaluation Panel. Summaries of these reports are included in the Evaluation Report and the full reports are available to Councillors upon request, subject to the controls and procedures recommended by the Probity Advisor and required under the Probity Management Plan.

ITEM 2 (continued)

On 20 April 2012, both tenderers were accorded the courtesy of presenting their proposals to the Evaluation Panel, overseen by Council's Probity Advisor and other observers representing City of Ryde. These presentations served to clarify the submissions being tendered by each proponent, which were:

- Lend Lease: Two tenders; a Base Case and an Alternative Case, the only variation between them being the funding model used in the Alternative Case
- Billbergia Frasers Joint Venture: three tenders; a Base Case and Alternative Case, the variation between them being the design solution to the Civic Developments, and a third case structured as a BOT (Build, Operate, Transfer) funding option on the Base Case.

These presentations enabled the Panel Members to form views of the clarifications they would require of each tender. It also confirmed that the evaluation criteria and weightings they had designed to assess the tenders were valid. Subsequently clarification requests were sent to each tenderer and responses received by 29 April 2012.

At the Evaluation Panel's second meeting on 3 May 2012 the presentations, clarification responses and Technical Advisors' reports were discussed. Council's Legal Advisor, Clayton Utz, gave a summary of the presentation made to the Civic Precinct Committee at its meeting of 1 May 2012. This outlined:

- The tender process
- Evaluation and assessments
- Legal structure
- Council security
- Approval process
- Risk mitigation
- Potential risks
- Council resolution
- Next steps, and
- Timetable

In view of Clayton Utz's explanation of Regulation 178(1) of the Local Government (General) Regulations 2005, it was agreed by the Evaluation Panel, with approval in principle by Council's Probity Advisor, that the Evaluation Panel should pursue two avenues of analysis of the tenders:

1. To assess and score the tenders as they had been submitted, and

ITEM 2 (continued)

2. Both tenderers should be approached and made aware of the key issues that Council would wish to negotiate with each of them should Council decline to accept any tender and one or more of them be identified as a preferred party with Council to negotiate with a view to entering into a contract to undertake the Civic Precinct redevelopment.

In approaching the analysis of tenders in this manner, the Evaluation Panel took the view it would be able to make a suitable recommendation, in due course, in accordance with Regulation 178(1) of the Local Government (General) Regulations 2005, the structure of which is:

Accept one tender or decline to accept either tender (Regulation 178(1)) **and give reasons**, consequently:

- Invite fresh tenders or applications (Regulation 178(3)(b)(c) and (d)) or
- Council carries out contract itself (Regulation 178(3)(f)) or
- Postpone or cancel the contract (Regulation 178(3)(a)) or
- Have negotiations with one (or both) tenderers (Regulation 178(3)(e)) and give reasons

As a result, meetings were held with Lend Lease Development and the Billbergia Frasers Joint Venture on 7 and 8 May 2012 attended by Panel Members from City of Ryde, Michael Collins and Associates, Clayton Utz and the Probity Advisor.

Each tenderer was made fully aware of the key issues Council would wish to be resolved, should a negotiation be entered into, and each tenderer was granted until 16 May 2012 to prepare their responses to the key issues.

The Evaluation Panel met for the third time on 9 May 2012 to commence its scoring of the tenders having regard to the proponents' tenders, further developed reports from the Technical Advisors and the subsequent clarification process, but excluding the parallel but separate exploration of potential key negotiation issues.

On 9 May 2012 the Evaluation Panel resolved to reject the Billbergia Frasers Joint Venture's BOT (Build, Operate, Transfer) funding option on its Base Case on the grounds that it was not compliant with the Request for Tender documentation. The Panel formally scored the Lend Base Case, and the Billbergia Frasers Joint Venture's Base and Alternative Cases but declined to score the Lend Lease Alternative case as the effective of the funding option was not sufficiently clear to all Panel Members at that time.

At the Evaluation Panel's fourth meeting on 21 May, 2012, the scoring of the tenders was finalised with the completion of marking of the Lend Lease Alternative Case.

ITEM 2 (continued)

With the clear majority opinion of the Technical Advisors rankings, a separate report by Ken Maher (Evaluation Panel Member) concerning the urban design merits of the competing schemes and the benefit of the Legal Report from Clayton Utz it was the unanimous opinion of the Evaluation Panel that:

- the Lend Lease tender submissions were significantly superior to either of the Billbergia Fraser Joint Venture tender submissions
- the Lend Lease tender submissions, both Base and Alternative cases, had the potential, subject to negotiation, to provide a superior outcome for Council than that offered in the two tender submissions from the Billbergia Frasers Joint Venture, and,
- the Lend Lease submissions were the better match to the objectives of the Civic Precinct Redevelopment as expressed in the Request for Tender, being;

Community Benefit

Provide community benefits including through a multi-purpose performance space which meets the needs of the local community now and into the future.

Revitalisation

Contribute to the revitalisation of the Ryde Town Centre and complement the recently completed Top Ryde City shopping centre.

Design

Deliver design excellence within the planning parameters of LEP 2010 as amended by the Planning Proposal.

Sustainability

Be environmentally sustainable by having the capacity to deliver 4 star Green Star residential and 5 star Green Star commercial and public buildings (or higher).

Financially viable

Maximise upfront revenue to Council, whilst improving Council's assets without placing an ongoing burden on Council or rate payers, through potential land sale.

Traffic

Minimise additional traffic on local roads as a result of the redevelopment. The majority of traffic is to be directed from and onto State roads (not local) in accordance with ITS I and ITS II.

ITEM 2 (continued)

The Evaluation Panel concluded that irrespective of the superior quality of the Lend Lease tenders neither, Base Case or Alternative Case, was sufficiently developed to enable Council to enter into a contract at this time. It was identified that there were a number of opportunities for Council to improve the Lend Lease submission (both Base Case and Alternative Case). It was agreed that entering into a project delivery agreement of this nature required further detail, analysis and negotiation in order to more probably assure a successful outcome for Council and that the documentation offered by Lend Lease could not be accepted in its current form.

The Evaluation Panel was confident that Council would most likely achieve an acceptable outcome were it able to negotiate with Lend Lease on key issues to gain appropriate surety for Council but less so with the Billbergia Frasers Joint Venture and recommended accordingly in its Evaluation Report.

Consequently in parallel with, but separate to, the Evaluation Panel's processes, deliberations and scoring of the tenders as submitted, the resources of some Evaluation Panel Members and Technical Advisors have also been focussed upon clarifying and understanding the key negotiation issues with each tenderer should one or both become a party with whom to negotiate (as described earlier). This investigative team consisted principally of:

Mitch Corn, City of Ryde, Evaluation Panel Chair
Michael Collins, Michael Collins & Associates, Evaluation Panel Member
Gary Best, Partner Clayton Utz, Technical Legal Advisor
Anne Taylor, Special Counsel, Clayton Utz, Technical Legal Advisor
Adrian Hack, Principal, Hill PDA, Technical Advisor
Malcolm Harrild, City of Ryde, Evaluation Panel Member

The process taken to analyse fully the key negotiation issues was to:

- List the key issues borne from the Technical Advisors' draft reports, clarifications received from the tenders.
- Meet with each tenderer, explain and discuss each issue and request written responses.
- Meet with the tenderers following receipt of their responses to further understand the likelihood of their capacity to resolve the key issues should they be granted the opportunity.
- Input the tenderers' financial responses into a sensitivity analysis model allowing the investigation team to outline the impact of such sensitivities to the Evaluation Panel Members.
- Carry out this process with the probity Advisor overseeing each step to ensure adherence to the Probit Management Plan.

The principal matters under consideration during the investigation of the key negotiation issues concerned mitigating risk to Council and by so doing identifying the most advantageous financial outcome for Council.

ITEM 2 (continued)

Context

Council was made aware of the financial impact of both pursuing a development partner option or abandoning this option in the report to Council; Civic Precinct Program, Procurement, Budget and Financial in Meeting No. 17/11 of 18 October 2011.

The options available to Council were;

Option 1 - Progress the project in accordance with program 1 (titled '*regular civic precinct program stages 3-4*').

Option 2 - Progress the project in accordance with program 2 (titled '*delayed civic precinct stages 3-4 program*').

Option 3 - Exit the project and delay the project indefinitely

Council resolved to pursue Option 1. This option entailed completing the following activities in accordance with an agreed program:

Stage 3

Tendering and Selection	To select a suitable tenderer through a formal Competitive process	<ul style="list-style-type: none"> • Obtain Planning height approval • Formalise Council's requirements (staff amalgamation etc) • Finalise scopes for Council's future facilities and assets including minimum sustainable design of 4 star for residential and 5 star for community and commercial • Finalise project briefs and project plan • Finalise additional consultants to execute the approved project model • Document tender documents, including selection criteria • Competitive Tender process: call Expressions of Interest • Competitive Tender process: call for tender • Competitive Tender process: selection of tenderer • Finalise contractual negotiations
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There remains one major task to complete should Council resolve in accordance with the resolutions provided in this Report.

ITEM 2 (continued)

If Council resolves to enter Stage 4 of the project the following activities would take place:

Stage 4

Project Delivery	<p>Development of final design and undergo Development Application process ready to commence construction.</p> <p>Construction commences</p>	<ul style="list-style-type: none"> • Appoint developer to prepare procurement strategy and program • Appoint developer and commence detailed designs • Developer to prepare development application and lodge • Design consultants to be retained for peer review • Public exhibition • Development consent issued • Construction certificate obtained • Commence construction of Community/ Civic and Council admin building • Relocate Council administration and the community facilities • Manage successful tenderer to protect Council's interests
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The activities outlined above replicate the activities that Council resolved to pursue if Council elected to move to Stage 4 of the project.

Such activities are a very high level snap shot of a process that will span five years. A detailed program will be developed in partnership with the preferred development partner if negotiations in Stage 3 are successful.

The program below represents a high level indicative time table for the proposed development. This timetable will be confirmed through the negotiation cycle. The Lend Lease tender offer is in line with the indicative program but requires further detail and refinement prior to agreeing an actual development program for the entire project.

ITEM 2 (continued)

Indicative Program

Project	Indicative Dates
Development Application lodged by Successful Tenderer	Early 2013
Development Consent as determined (by the Joint Regional Planning Panel)	Mid- Late 2013
Commence Construction of New Council Office Building	Early 2014
Practical Completion of New Council Office Building	Early 2015
Commence Construction of New Civic Centre and ITS II	Early - Mid 2015
Practical Completion of New Civic Centre and ITS II	Mid to Late 2017

As previously advised, Council will meet in temporary Council Chambers in the new office building whilst construction of the new Council Chambers is underway.

Capital Cost Expenditure - The 'Refurbishment Option' compared to the 'Development Option' proposed by Lend Lease

Council's assessment of the future options for the Civic Precinct requires detailed feasibility modelling of each option open to Council. The impact of this modelling has been assessed against Council's financial position over a ten year period. A ten year horizon was chosen to reflect the completion of construction on the whole of the site and will adequately cover the next period of fit out and renewal required should Council remain in its current buildings. In addition, it allows for the comparison of costs *before* BCA upgrades are factored in (estimated to be completed within 20 years time).

The confidential section of this report compares the proposals from Lend Lease with Council's financial position should it determine to remain in its existing buildings and expend necessary funds to upgrade and refurbish them over the next ten years, referred to as the 'Refurbishment Option'. The 'Refurbishment Option' is based on Council remaining in its current buildings (Civic Hall, Council administration building and Level 1a above the Top Ryde Library). It examines the costs of undertaking urgent repairs and upgrades to the building services over the next 10 years and compares the operating costs of each area.

ITEM 2 (continued)

A copy of the WT Partnership Dilapidation Survey and report of Building Systems in Civic and Argyle centres dated July 2011 as prepared by Council's Quantity Surveyors, was previously attached to the Council agenda of 18 October 2011. This report stated that service upgrades alone would cost Council \$12.4 million (unescalated) within a three year time frame (see memo below). It is important to note that this expenditure will *not* bring the building up to Building Code of Australia (BCA) standards but merely fixes the unseen core services in the buildings eg window seals, sewer, electrical circuits, hydraulic, air conditioning, fire services etc.

The five year view does not include major refurbishment of the offices and office furniture etc. Council is obligated to ensure that staff working environments are satisfactory, safe and efficient. Council's office layout and furniture requirements will require upgrading over the next ten years. In addition the Civic Hall will require the upgrade of its facilities, equipment and furniture.

It is estimated that should Council remain in the building over a ten year period, in addition to the minimum services upgrades outlined above and including office refurbishment will cost a total of \$18.5 million including escalation. These works will still not meet BCA standards nor make the building comply with the relevant disability access codes. In addition to this it is estimated that over the next ten years Council will expend a further \$9.34 million on outgoings to operate the inefficient buildings.

Reports previously circulated to Council allowed for the BCA upgrade to be completed in 20 years to comply with BCA and disabled access standards. Total expenditure on the buildings by that time is estimated to be \$39.2 million (which includes service upgrades of \$12.4 million) but excludes any costs for upgrading the Argyle Centre).

The 'Refurbishment Option' contains no financial gain to Council from the sale of land and the funds over five and ten years will need to be funded by depleting the property investment reserve (with an estimated balance of \$15.3 million at the end of June 2012) and create a further \$12.3 million shortfall. This will require funding from additional rates and/or loans to be serviced by a cost saving achieved through cutting service delivery.

To enable comparison with the Lend Lease proposal, and to comprehend the impact of the indicative development timetable on previously reported capital expenditure requirements for the Civic Building, WT Partnership (WTP) was requested to update their 5 Year Capital Expenditure report. This report was originally commissioned to understand the actual costs to Council to maintain the current facility. In doing so Council has requested WTP to cash flow two scenarios:

1. Council continues with the Civic Precinct redevelopment in accordance with the indicative program supplied above OR

ITEM 2 (continued)

2. Council does not continue the project and is required to expend capital in accordance with the previously submitted report.

The details below are a direct abstract from memorandum received from WTP; this memorandum and associated data is attached to this report (**ATTACHMENT B – CIRCULATED UNDER SEPARATE COVER**)

WTP Memo

In May 2011, WT Partnership (WTP) was commissioned by the City of Ryde Council (the "Council") to prepare a Services Audit Report (the "Report") on the Council's property at 1 Devlin St. Ryde NSW 2112, i.e. the Council's existing Civic Centre building.

Due to unreliability issues with the air conditioning within the building, Council sought preliminary advice as to the state of dilapidation of the concealed building services (Mechanical, Electrical, Hydraulic and Fire Services) within the Civic Centre to enable it to comprehend the magnitude of the works and budget which could reasonably be anticipated to be incurred for repairs, maintenance and replacement works, in order to provide a level of amenity similar to a PCA (Property Council of Australia) B Grade Suburban office. This Report which recommended a total expenditure requirement of \$12.4 million (excl. GST) DID NOT address bringing the building up to a BCA compliant standard. This Report and associated recommended expenditure dealt with the major engineering services upgrade only and excluded lifts.

Shortly after submission of the Report, Council received 2 further reports, each from Davis Langdon, addressing Building Code of Australia (BCA) compliance issues for Council properties as follows:

- *Report dated 14 June 2011 from Davis Langdon entitled - Building Code of Australia 2011 – BCA Review Report for Existing Premises, Ryde Civic Centre, 1 Devlin St Ryde, Project No. 251527;*
- *Report dated 23 June 2011 from Davis Langdon entitled - Building Code of Australia 2011 – BCA Review Report for Existing Premises, Argyle Centre, 33 Blaxland Rd, Ryde, Project No. 251527.*

These Reports identified non compliances with BCA 2011 in both Civic Centre and Argyle Centre.

WTP was then re-commissioned by Council to prepare further estimates for Civic Centre and Argyle Centre to rectify those BCA non-compliance issues raised by Davis Langdon, and further, to broaden the scope of reporting to include a 20 year Capex Expenditure Schedule for operating and maintaining these properties. This WTP supplementary report entitled "Dilapidation Survey

ITEM 2 (continued)

and Report of Building Systems in Civic and Argyle Centres” was provided to Council in July 2011, (the Supplementary Report).

The findings of the Supplementary Report was for expenditure of \$48.2 million (excl. GST) over the next 20 years to refurbish these buildings, have them comply with 2011 BCA requirements and maintain the “whole of building life” condition of the Buildings for at least the next 20 years.

Since WTP furnished its Reports in May and July 2011, (the Report & Supplementary Report) Council has initiated a potential redevelopment the Civic Centre site which could be completed by early 2015. If the project was to proceed to completion, Council would not incur the expense of a costly building refurbishment program and ongoing excessive operational costs.

Further, should Council embark on this redevelopment, the existing Civic Centre would be required to serve for 3 further years only (2012, 2013 & 2014), before being integrated in 2015 into the new redevelopment. Capex expenditure could be significantly reduced from that forecast within WTP Supplementary Report as this expenditure would be on a “bare minimum” basis and required only to cover the next 3 years building occupation.

The “non expenditure” of costs for upgrading the Civic Centre, could therefore be offset against the cost of the future redevelopment. The savings born from not having to expend \$12.4m for service upgrades could be offset against the project’s feasibility, thereby assisting Council’s budget.

In order to fully consider its redevelopment decision, Council has requested that the WTP Supplementary Report be updated to include the cost of the “bare minimum” Capex spend on the Civic Centre for the next 3 years. Under this proposal, Council will occupy the Civic Centre and extend the working life of the engineering services within the building by the most cost effective means. WTP updated “Bare Minimum” Engineering Services Repairs, Maintenance And Urgent Replacement Works – Indicative Cost June 2012 for Civic Centre is attached providing “bare minimum” cash flow expenditure and making no allowance for BCA upgrade works identified by Davis Langdon. In addition to the “bare minimum” cash flow forecast, this update also accounts for Council funds spent in the last 12 months since the original WTP Report.

In respect to Capex funds expenditure during the last 12 months, Council has advised WTP that it has expended approximately \$1,000,000.00 (including GST, for details see attached spreadsheet) during 2011 / 2012 in replacing and repairing engineering services related plant and facilities within the Civic Centre. The main elements of plant expenditure included within this sum are:

- *Replacement of air cooled chillers in the roof plant room - \$230,000.00;*

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- *Replacement of the Building Management and Control System (BMCS) head end and local controls in the roof plant room \$150,000.00;*
- *Repairs and replacement of hydraulic sanitary stacks and vents on several floors throughout the building - \$160,000.00;*

Additionally, Council advises it has spent a further \$460,000.00 in general unspecified and unplanned repairs associated with all services within the building.

Obviously, if redevelopment of Civic Centre site does not progress, the current forecast Capex expenditure for the future 20 year period (or adjusted for some other period advised by Council) into the existing building will require reconsideration. If Council elected to bring the building up to BCA compliance (including full disabled access) and refurbish the building to suburban B grade PCA Standard, Council would be faced with full expenditure identified in the WTP Supplementary Report provided to Council in July 2011.

The following summary represents the minimum required expenditure if Council was to redevelop the site compared to non redevelopment scenario wherein \$12.4 million would be expended over the following 3 years to provide the necessary repairs and replacement to the existing Civic Centre's Engineering Services as previously reported. As summarised below, WTP has provided an estimated cash flow for Council's feasibility, including within this estimate for the "bare minimum" capital expenditure to "band aid" the Civic Centre's operations until its incorporation into the redevelopment project. This projected expenditure is predicated on vacating the Civic Centre by 2015. Recent emergency service failures (such as bursting of sewer lines in occupied areas) require the allocation of further funding from Council or allocation of project contingency funds to provide for these 'service failure emergencies.'

Following is a table demonstrating the "bare minimum" expenditure and the effective savings in 2015 and 2016 from not having to carry out full services upgrades as Council would be relocating from the existing building to redeveloped offices in 2015. Council would rely on a "band aid" solution to maintain the Council Office and Civic Hall. This situation cannot be maintained further than the proposed short term as all the services are well past their effective life as reported previously by WTP.

ITEM 2 (continued)

Bare Minimum Cost Summary Engineering Services Repairs, Maintenance & Urgent Replacement Works – Indicative Costs June 2012	
Civic Centre Expenditure (cost rounded up)	
Cost expended to date (2011, part 2012)	\$942,000.00
2012 expenditure (band aid cost estimate)	\$506,000.00
2013 expenditure (band aid cost estimate)	\$466,000.00
2014 Expenditure (band aid cost estimate)	\$466,000.00
2015 Planned Capital Expenditure (saving to new development)	\$8,020,000.00
2016 Planned Capital Expenditure (saving to new development)	\$3,821,000.00
Total Cost	\$14,221,000.00

In order to ensure “like for like” cost comparisons, all forecast costs are on a present day basis and exclude escalation. If a 10 year cash flow was to be represented, WTP would recommend provisioning for cost escalation at average annual rate of 3%.

In addition to current Capital Expenditure forecasts, if Council elected not to proceed with the development option and chose to remain in the building for the next 10 years, without carrying out the BCA upgrade, the building would require an aesthetic refurbishment (paint, carpets, work stations, partitioning) and the like. WTP estimate this cost at approx. \$3.85 million to be carried out in conjunction with the engineering services upgrade works.

Please refer attached spreadsheet entitled “Bare Minimum” Engineering Services Repairs, Maintenance and Urgent Replacement Works – Indicative Cost June 2012 for expenditure details.

The ‘Refurbishment Option’ Council will incur \$27.6 million in costs over the next ten years for minimum service and aesthetic upgrades, including operational costs and substantially more over the next 20 years.

This was previously estimated to be \$48.2 million which included approximately \$9 million for bringing the Argyle Centre up to BCA standard. Since Council has resolved to abandon the Argyle Centre, these figures have been revised to \$39.2 million over 20 years.

It should be noted that commercial arrangements with Lend Lease have not been concluded and as such strict confidentiality of the detailed financial information is required so as to protect Council’s negotiating position and maintain the confidence of the market place. Council’s probity advisor OCM, has recommended that commercially sensitive data is treated in the same manner as the Request For Tender Documentation.

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The capital cost assessment of comparing the Lend Lease bid against the 'Refurbishment Option' refer **ATTACHMENT F - CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL**. As can be seen, the Lend Lease Alternative (improved) proposal provides a much superior outcome in the following ways:

- The Lend Lease bid provides a better financial return over the next ten years in that:-
 - The value of Council's assets (buildings and land) will be greatly increased and provide value estimated to be worth \$59.7m more than the '**Refurbishment Option**'.
 - The cost to Council to redevelop will be \$20.8 million less than the '**Refurbishment Option**' and can be afforded from Council's property development reserve (which was established for that purpose) without the need to raise any further loans etc.
 - The Council's administration will be more efficient in design and less costly to operate (please note that these costs have not been calculated in the comparisons but will provide significant efficiencies in Council's operations).
- The Lend Lease proposal provides a more modern, multipurpose performing space in an acoustically appropriate auditorium suitable for a range of performances.
- The Lend Lease proposal provides BCA and Disability Code compliant design.
- The Lend Lease proposal provides well designed, sustainable and efficient buildings which are healthier for staff to work in and less costly to operate.
- The new buildings will be furnished in modern contemporary office layouts utilising furniture that will not require replacing over the next ten years.
- The Lend Lease proposal provides greatly enhanced community meeting facilities compared to the condemned spaces in the Argyle Centre which are being made obsolete and not replaced by the 'Do Nothing' costing.
- The Lend Lease proposal provides a more usable and intimate public square and access to quality public domain, compared to the grass area of the current Civic Precinct.
- The 'Development Option' provides additional 73 car parking spaces to those currently available.

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In addition the ‘**Refurbishment Option**’ does not improve the value of Council’s assets as a result of investing \$27 million over 10 years. The investment of significant funds into the Civic Precinct buildings will not add any further value to the building and will not improve Council’s land value.

For these reasons the implementation of the ‘**Refurbishment Option**’ is not recommended.

Planning, Traffic, Design and Sustainability Features of the Lend Lease Submission

The following details represent a high level summary of the key features of the Lend Lease submission. It is Council’s objective to work closely with Lend Lease throughout the project to achieve a high quality outcome that delivers on all of Council’s objectives.

Planning

The Lend Lease submission generally complies with both the Civic Precinct DCP and LEP (as amended).

It is important to note that the Proponent has limited the amount of floor space in their submission compared to the current allowable floor space providing 20% less building area.

There are some anomalies in regards to the 3m set back on the eastern boundary of Blaxland Road and the eastern boundary of site B (Parkes Street car park). Following clarifications it became clear that the DCP requirements can be accommodated through design development; there may have been a slight misrepresentation of the DCP intent in the submission. The changes required to comply fully with the DCP are not of a material nature. Council will provide feedback in relation to set back changes required (minor) through the design development phase and prior to the submission of the initial Development Application, if Lend Lease ultimately become Council’s preferred development partner as recommended in this report.

The expert report commissioned to specifically analyse the merits of both tenders in relation to planning compliance found the Lend Lease submission complied with Council’s requirements better than the Billbergia/ Frasers Joint Venture.

Traffic

The Lend Lease proposal utilises the integrated traffic solution (ITS) as designed in 2005, and generally adopted in Council’s planning proposal, endorsed by the RTA (now the Roads and Maritime Services or RMS) in 2011. There are some minor amendments to movements in and out of the Blaxland Road entrance and exit. In

ITEM 2 (continued)

Council's planning proposal, the design demonstrated a south bound exit from Blaxland Road which is identical to the Lend Lease proposal, however Lend Lease have proposed a loading dock entrance from Parkes Street. Whilst this approach is in keeping with the original ITS design approved by the RMS it differs slightly from Council's planning proposal. This slight amendment remains at concept stage and through the design development phase detailed discussions will be held with RMS as to the impact of this amendment. Lend Lease have confirmed if the amendment poses a problem for RMS or Council the loading dock entrance and exit can be redesigned off Blaxland Road with no detrimental affect to the overall concept design.

The expert report commissioned to specifically analyse the merits of both tenders in relation to traffic impact and adherence to the Integrated Traffic Solution (previously principally approved for the site by the Roads and Maritime Services) found the Lend Lease submission complied with Council's requirements better than the Billbergia Fraser's Joint Venture submission.

Response to Sustainability

Lend Lease has made a clear commitment to ESD, Green Star and the sustainability vision of Council and has demonstrated their understanding of the overall scope and magnitude of the sustainability roles expected on the project.

Through the completion of Green Star Residential and Commercial rating tools that itemise credits deemed achievable, Lend Lease has proven their sustainability experience and commitment. Lend Lease has committed to achieving 5 Star NABERS Base Building Ratings for the commercial components of the project. They have also committed to the use of the 'Green Star – Public Building Pilot' rating tool to rate the Civic Precinct. This rating tool is not officially available from the Green Building Council of Australia (GBCA). Lend Lease has demonstrated that given their intimate knowledge of the rating systems, coupled with their close relationship with the GBCA, the attainment of this rating seems highly likely.

Response to Sustainability Initiatives

By examining the Green Star ratings, it was found that Lend Lease has put the highest importance on the 'Management' category's credits in both the Commercial and Residential ratings. This bodes well for the overall performance of the buildings as Management credits aim to promote the adoption of environmental principles from project inception to ensure the highest sustainability result is delivered at project completion.

Lend Lease has listed a number of initiatives that positively impact the sustainability outcome of the project. The initiatives will be further investigated through the design development phase and be adopted where feasible and appropriate, they include:

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- Cross laminated timber buildings

A product that replaces the use of concrete and steel in low rise building construction. This product is more sustainable to manufacture, quicker and easier to work with and has less embodied carbon than concrete.

- Commissioning and Tuning

A systematic process of ensuring that all building systems performance react according to the design intent and the owner's operational requirements.

- Construction Waste Management

The site currently has buildings that will need to be demolished before construction work starts. Generally, the demolition and construction processes generate exceptional quantities of building waste. A Construction Management Plan can identify all the materials to be diverted and indicate ways to reduce the quantities of this waste through the reuse and recycling of materials wherever possible.

- Sub-metering

The inclusion of metering and monitoring of energy usage (both indoors and outdoors) will greatly assist in the identification and reduction of energy consumption.

- Onsite electrical vehicle charging stations

This technology is not new, but it is also not common. It opens up the opportunity to use renewable energy for transportation purposes and the project may be seen as a trend setter.

- No water based Air-conditioning

This is not only advantageous from a water savings point of view, but also from health perspective when considering Legionnaires Disease.

- Handover manual and welcome packs

These guides can provide details regarding the everyday operation of the building, and the systems building occupants encounter. This will make it easier for all occupants within that building to understand and actively contribute to the overall sustainability of the building.

ITEM 2 (continued)**Response to Sustainability Implementation**

Lend Lease has defined a comprehensive approach to sustainability implementation in the project that outlines the effective documentation and delivery of sustainability services. Their approach commits to comply with the nine key principles of sustainability and they have provided a description of strategies in relation to achieving each of the specified sustainability categories.

This approach includes developing strategies to form part of the project briefs; defining strategies to form part of contractual agreements for consultants and contractors; providing a dedicated Green Star professional to assist team in delivering sustainability; and selecting contractors and suppliers who provide certified practises and products that comply with Green Star requirements. All Lend Lease's processes will be signed off by both sustainability and quality managers as part of their Quality Control measures.

These steps all indicate a detailed and analytical approach to sustainability development implementation and monitoring.

The expert report commissioned to specifically analyse the merits of both tenders in relation to Sustainability understanding and initiatives found the Lend Lease submission complied with Council's requirements better than the Billbergia Fraser's Joint Venture submission.

Urban Design

The Lend Lease scheme provides a very good urban design solution for the Ryde Civic Precinct site, especially in the provision of built form massing and a mixture of new land uses. This urban design solution is generally in compliance with the intent of the Ryde Civic Precinct Concept Plan and the relevant section of the Ryde Civic Precinct Performance Brief.

The concept provides a permeable urban solution with pedestrian friendly street edges and the integration of existing pedestrian connections from the Devlin Street pedestrian bridges that link with a new Civic Plaza. The location of building masses towers located along the eastern edge of the site against Devlin Street and lower storey building masses along the Blaxland Road edge reflect good massing distribution. With this strategy, Blaxland Road is appropriately scaled and is likely to become an important pedestrian focused street within the Ryde Town Centre.

Under this urban concept, a new Civic Plaza is located midpoint along Blaxland Road to provide an address to Council's new Civic Building. The location of the new Civic Plaza, while not in accordance with Council's Concept Plan, is considered in terms of its urban scale and orientation, providing a break in urban scale between the residential towers and lower storey Civic Building. Located at the crest of Blaxland

ITEM 2 (continued)

Road (as it rises up from Parkes Street) the new Civic Plaza will offer an appropriate south facing address for Council's new Civic Building and is scaled to provide a range of mixture of uses to activate the space. Under this concept the proposed vehicle drop off has not been integrated with the new Civic Plaza or with the main entrance to the Civic building. This requires further consideration during the detailed design stage to ensure that a covered set down, as identified under the performance brief, is provided.

The pedestrian access onto the northern Devlin Street Bridge has been reconfigured however this arrangement requires further refinement. The interface of the pedestrian bridge over Devlin Street as it intersects with the new Civic Building to provide direct access with the new Civic Plaza requires refinement to successfully integrate with the public domain sequences.

Two residential towers of equal height (up to the allowable height) are provided under the concept. A lower storey residential block is located to the south western corner of the site to spatially define the corner of Parkes Street and Blaxland Road. Address to the residential component of the Civic Precinct, and pedestrian access to residential foyers, is provided off Parkes Street by a stair and ramp onto an elevated vegetated court; being at the same level as the new Civic Plaza. Further work is required to verify that the elevations and future uses onto Parkes Street and Blaxland Road do not impact upon pedestrian interfaces and allow urban activation. A loading dock and vehicle portal is shown at this corner. Further investigation is also required to demonstrate the impacts upon the public domain from these vehicle and loading dock entries at the Blaxland Road corner are mitigated.

New Council Offices are provided in a building to the western corner of the site (located on the current Council car park site). The main entry to this building is off Blaxland Road. The setting for this building is benched; and the extent of benching and retaining walls along the northern boundary and against Hatton's Cottage will require further investigation.

New Civic Centre

The new Civic building consists of a three storey columned porch integrated with the Civic Plaza with a screened façade element to all other elevations. The roof of this building is articulated by the Council Chamber in the form of singular clad element.

The entry porch to the New Civic Centre is scaled to allow a visual connection between the foyers of the building with the new Civic Plaza. While the urban strategy of this building is successful, the internal planning of the building requires further refinement.

ITEM 2 (continued)

The expert report commissioned to specifically analyse the merits of both tenders in relation to Urban Design found the Lend Lease submission complied with Council's requirements better than the Billbergia Fraser's Joint Venture submission

The Lend Lease designs and concept plans are attached in **ATTACHMENT C – CIRCULATED UNDER SEPARATE COVER.**

Financial Considerations

Due to the sensitive nature of commercial negotiations still to be completed, the financial implications and associated risks of this proposal are summarised and analysed in the confidential attachments of this report. Councillors will be given a detailed briefing at the Civic Precinct workshop as well as be able to receive an individual briefing from the Development Director should they so wish.

The Lend Lease proposal has given two options for Council to consider (**ATTACHMENT F – CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL**). The expert report commissioned to specifically analyse the merits of both tenders in relation to the financial return to Council, found that both of the Lend Lease submissions complied with Council's requirements better than the two acceptable Billbergia Fraser's Joint Venture proposals. From a risk perspective the experts on the panel also determined that the Lend Lease proposal provided a superior offer.

Now that the market has been tested, Council has a better understanding of what the market is prepared to pay for its land following its recent boundary consolidation and zoning approval.

The development delivery proposal is designed to provide Council with new Community facilities including an improved auditorium and more rehearsal /meeting rooms, a new Council Chambers and meeting rooms, a public square, car parking spaces and a new administration building with a 15% capacity for future growth in staffing levels during the life of the building. These assets, including the land and strata titles that they sit on, represent the value that Lend Lease is prepared to provide in return for the land on which it can develop residential units.

As can be seen in the confidential attachments, Council's preferred financial objectives were not fully achieved and Lend Lease has asked Council to contribute towards the integrated traffic solution (ITS) and infrastructure costs including road realignment, water main adjustments, tunnel connections and modifications to Blaxland Road and Parkes Street. It should be noted that this amount is within the balance of Council's property investment reserve which is estimated to be \$15.3 million at the end of the financial year which was specifically established for this purpose from the proceeds of the sale of Council's forecourt to Bevillesta when the Top Ryde City development proceeded.

ITEM 2 (continued)

It should also be noted that as detailed in the confidential section of this report that the difference between the '**Refurbishment and Development Option**' is a positive \$59.7m million benefit to Council after ten years.

The Lend Lease 'Alternative Improved Scheme' proposal is recommended because Council is able to borrow finance at a much lower cost than Lend Lease. Lend Lease has confirmed that should Council proceed with securing a \$35 million peak debt loan over the delivery of the Civic component, then the principal and interest of the loan is guaranteed to Council by Lend Lease *at no net cost to Council* and that the considerable cost savings and a bonus would be fully passed on to Council. Given Council's current low debt level, this is an attractive option to Council. The full impact of this approach is analysed in the confidential section of this report (**ATTACHMENT F – CIRCULATED UNDER SEPARATE COVER - CONFIDENTIAL**).

The cash outlay impact to Council after ten years will be \$6.9 million.

Given that Council will be required to provide a financial contribution towards the proposal, Council has the potential to reduce its outlays on this project by:

- reducing its 15% growth space allowance
- taking a higher level of development risk in the market place
- reducing the amount of car parking for the auditorium and administration facility
- reducing the specifications for the Civic building eg less meeting/rehearsal rooms etc

After careful consideration, these options are not recommended and would be a short sighted way to reduce the financial outlays by Council and place Council under increased risk. The redevelopment of this site is a once in a generation opportunity to renew Council assets at minimal costs to the Council without servicing a large debt to do so. The funding for the improved outcomes will be funded from Council's property investment reserve specifically designated for this purpose and will not lead to a rate increase or large service reductions to repay debt. For this reason it is proposed to proceed with the negotiation of the Lend Lease alternative option.

The financial analysis includes amongst other items, revenue from the redevelopment of the Argyle Centre (as previously reported to Council) and an increased rates yield (since previously non rated land will become rateable). This enables Council to be able to fully compare costs between the Lend Lease bid and the 'Refurbishment Option' (outlined above) over a ten year comparison.

ITEM 2 (continued)

Contingency costs of \$2 million have also been allowed which if not required, will further improve Council's bottom line. The financial position also allows for the full recovery of the Civic Precinct master plan development costs (estimated to be approximately \$9.3 million) once the project relating to Council's facilities has been completed.

Also worth noting is that the efficiencies gained from the more effective administration building layout of the new facilities, as well as the consolidation of staff into one building, has not been factored into the financial analysis. This alone will deliver significant efficiency improvements to Council's operations.

As can be seen in the confidential attachments, when all matters have been modelled, it is anticipated that after a 10 year period Council's cash outlay will be \$6.9 million net. This will occur when a series of Operational Cost Savings and additional income from the lease of Level 1A has been realised.

Council's Chief Financial Officer has reviewed the preferred option and has assessed the anticipated impacts of Council meeting its obligations on Council's cash flow.

It is advised that Council, through the utilisation of Council's property investment reserve has the ability to meet the cash flow variations over the next ten years.

Overall the financial offer of the development option (which is still to be finalised in negotiation with Lend Lease) will provide the most beneficial financial return to Council and its community when compared to the proposals from the competing bidder and the 'Refurbishment Option'.